

TOWN OF ST. JOSEPH, LOUISIANA

**General Purpose Financial Statements
With Independent Auditors' Report
As of and for the Year Ended June 30, 2001
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/24/01

TOWN OF ST. JOSEPH, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

Honorable Ed Brown, Mayor
and Members of the Board of Aldermen
Town of St. Joseph, Louisiana

We have audited the accompanying general purpose financial statements of the Town of St. Joseph, Louisiana, as of June 30, 2001 and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of Town of St. Joseph, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Town of St. Joseph, Louisiana, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2001 on our consideration of the Town of St. Joseph, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Honorable Ed Brown, Mayor
and Members of the Board of Aldermen
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Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Ferriday, Louisiana
September 26, 2001

Switzer, Hopkins & Mange

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Account Groups			Totals (Memorandum Only) 2001 2000
	General	Capital Projects	Debt Service		General	Fixed Assets	Long-Term Debt	
ASSETS AND OTHER DEBITS								
Cash	\$ 148,334	\$ 1,187	\$ -	\$ 338,687	\$ -	\$ -	\$ 488,208	\$ 449,283
Certificate of deposit	-	-	30,117	189,799	-	-	219,916	219,316
Receivables, (net, of allowance for uncollectables) -								
Utility customers (Note 1)	923	-	-	34,943	-	-	35,866	33,543
Others	-	-	-	3,586	-	-	3,586	3,425
Restricted assets (Note 1):								
Cash	-	-	-	28,313	-	-	28,313	21,374
General fixed assets	-	-	-	-	1,069,658	-	1,069,658	1,034,921
Utility plant and equipment (Note 3)	-	-	-	4,195,662	-	-	4,195,662	3,363,765
Accumulated Depreciation (Note 3)	-	-	-	(1,944,739)	-	-	(1,944,739)	(1,853,943)
Investment in jointly owned gas line (Note 8)	-	-	-	52,754	-	-	52,754	48,477
Amount available in debt service fund	-	-	-	-	-	30,117	30,117	35,273
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	37,316	37,316	39,270
Total assets	\$ 149,257	\$ 1,187	\$ 30,117	\$ 2,899,005	\$ 1,069,658	\$ 67,433	\$ 4,216,657	\$ 3,394,704

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types		Proprietary Fund Type		Account Groups			Totals (Memorandum Only) 2001 2000
	General	Capital Projects	Debt Service	Enterprise	General	Fixed Assets	Long-Term Debt	
LIABILITIES, EQUITY AND AND OTHER CREDITS								
Liabilities:								
Accounts payable	\$ 6,583	-	\$ -	\$ 18,645	\$ -	\$ -	\$ -	\$ 15,334
Accrued payroll	-	-	-	-	-	-	-	7,335
Note payable	-	-	-	-	-	-	67,433	74,543
Payable from restricted assets:								
Customers' deposits	-	-	-	53,863	-	-	-	53,863
Total Liabilities	6,583			72,508			67,433	148,611
Fund Equity:								
Contributed capital	-	-	-	3,374,883	-	-	-	2,565,985
Investment in general fixed assets	-	-	-	-	1,069,658	-	-	1,034,921
Retained earnings -								
Unreserved (deficit)	-	-	-	(548,386)	-	-	-	(579,515)
Fund balances -								
Reserved for debt service	-	-	30,117	-	-	-	-	35,273
Unreserved -								
Undesignated	142,674	1,187	-	-	-	-	143,861	189,429
Total fund equity	142,674	1,187	30,117	2,826,497	1,069,658	-	4,070,133	3,246,093
Total liabilities and fund equity	\$ 149,257	\$ 1,187	\$ 30,117	\$ 2,899,005	\$ 1,069,658	\$ 67,433	\$ 4,216,657	\$ 3,394,704

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>	
				<u>2001</u>	<u>2000</u>
Revenues:					
Taxes	\$ 133,262	\$ -	\$ -	\$ 133,262	\$ 135,778
Licenses and permits	45,817	-	-	45,817	46,022
Intergovernmental	53,883	810,085	-	863,968	19,655
Fines	3,049	-	-	3,049	615
Garbage fees	52,983	-	-	52,983	49,665
Interest earned	3,614	-	-	3,614	3,499
Other	48,021	-	6,517	54,538	134,381
Total revenues	<u>340,629</u>	<u>810,085</u>	<u>6,517</u>	<u>1,157,231</u>	<u>389,615</u>
Expenditures:					
Current -					
General government	138,163	-	-	138,163	91,048
Streets and sanitation	78,709	-	-	78,709	67,947
Public safety -					
Police	67,602	-	-	67,602	70,506
Fire	2,910	-	-	2,910	12,054
Capital outlay	-	808,898	-	808,898	100,726
Principal retirement	-	-	7,109	7,109	6,465
Interest paid	-	-	5,925	5,925	6,569
Total expenditures	<u>287,384</u>	<u>808,898</u>	<u>13,034</u>	<u>1,109,316</u>	<u>355,315</u>
Excess of revenues over expenditures	53,245	1,187	(6,517)	47,915	34,300
Other financing sources:					
Interest income	-	-	1,361	1,361	273
Operating transfers in (out)	(100,000)	-	-	(100,000)	6,712
Total other financing sources	<u>(100,000)</u>	<u>-</u>	<u>1,361</u>	<u>(98,639)</u>	<u>6,985</u>
Excess of revenues and other sources over expenditures and other uses	(46,755)	1,187	(5,156)	(50,724)	41,285
Fund balance, beginning	<u>189,429</u>	<u>-</u>	<u>35,273</u>	<u>224,702</u>	<u>183,417</u>
Fund balances, ending	<u>\$ 142,674</u>	<u>\$ 1,187</u>	<u>\$ 30,117</u>	<u>\$ 173,978</u>	<u>\$ 224,702</u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2001

	<u>2001</u>		Variance - Favorable (Unfavorable)	(Memorandum Only) 2000 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Taxes	\$ 127,600	\$ 133,262	\$ 5,662	\$ 135,778
Licenses and permits	45,100	45,817	717	46,022
Intergovernmental	15,200	53,883	38,683	19,655
Fines	1,200	3,049	1,849	615
Garbage fees	33,000	52,983	19,983	49,665
Interest income	3,900	3,614	(286)	3,499
Other	33,000	48,021	15,021	86,347
Total revenues	<u>259,000</u>	<u>340,629</u>	<u>81,629</u>	<u>341,581</u>
Expenditures:				
General government	73,700	138,163	(64,463)	91,048
Streets and sanitation	102,610	78,709	23,901	67,947
Public safety -				
Police	63,700	67,602	(3,902)	70,506
Fire	500	2,910	(2,410)	12,054
Capital outlay	-	-	-	100,726
Total expenditures	<u>240,510</u>	<u>287,384</u>	<u>(46,874)</u>	<u>342,281</u>
Excess of revenues over expenditures	18,490	53,245	34,755	(700)
Other financing sources:				
Operating transfers in (out)	-	(100,000)	(100,000)	6,712
Excess of revenues and other sources over expenditures	18,490	(46,755)	(65,245)	6,012
Fund balance, beginning	<u>189,429</u>	<u>189,429</u>	<u>-</u>	<u>183,417</u>
Fund balances, ending	<u>\$ 207,919</u>	<u>\$ 142,674</u>	<u>\$ (65,245)</u>	<u>\$ 189,429</u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Operating revenues:		
Charges for services:		
Gas sales	\$ 487,070	\$ 200,120
Water sales	169,361	111,523
Sewer sales	19,062	19,060
Delinquent charges	54,405	50,102
Miscellaneous revenues	3,710	7,124
Total operating revenues	<u>733,608</u>	<u>387,929</u>
Operating expenses:		
Gas department expenses	472,423	213,344
Water department expenses	105,572	103,150
Sewer department expenses	7,478	6,866
General and administrative expenses	242,547	205,512
Total operating expenses	<u>828,020</u>	<u>528,872</u>
Operating (loss)	<u>(94,412)</u>	<u>(140,943)</u>
Nonoperating revenues:		
State grant	-	25,000
Income from jointly owned gas line	4,277	9,074
Interest earned	21,263	18,360
Total nonoperating revenue	<u>25,540</u>	<u>52,434</u>
(Loss) before operating transfers	(68,872)	(88,509)
Operating transfers:		
Transfers from general fund	<u>100,000</u>	<u>(6,712)</u>
Net (loss)	31,128	(95,221)
Retained earnings, beginning (deficit)	<u>(579,514)</u>	<u>(484,293)</u>
Retained earnings, ending (deficit)	<u><u>\$ (548,386)</u></u>	<u><u>\$ (579,514)</u></u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	<u>(Memorandum Only) 2000</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 731,286	\$ 376,547
Cash paid to suppliers for goods and services	(630,963)	(332,205)
Cash payments to employees for services	(101,888)	(104,928)
Net cash provided by operating activities	<u>(1,565)</u>	<u>(60,586)</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers from general fund	100,000	(6,712)
Increase in customer deposits	2,464	2,385
State grant	-	25,000
Net cash provided by non-capital financing activities	<u>102,464</u>	<u>20,673</u>
<u>Cash flows from capital and related financing activities</u>		
Acquisition of capital assets	<u>(22,999)</u>	<u>-</u>
<u>Cash flows from investing activities</u>		
Joint gas line income	-	26,000
Interest received	21,102	17,556
	<u>21,102</u>	<u>43,556</u>
Net increase in cash	99,002	3,643
Cash at beginning of year	<u>457,797</u>	<u>454,154</u>
Cash at end of year	<u>\$ 556,799</u>	<u>\$ 457,797</u>
Reconciliation of operating loss to cash provided by operating activities:		
Operating (loss)	(94,412)	(140,943)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	90,797	93,014
Increase in:		
Accounts receivable	(2,323)	(11,382)
Increase (decrease) in:		
Accounts payable	8,726	(1,242)
Accrued payroll	(4,353)	(33)
Net cash provided by operating activities	<u>\$ (1,565)</u>	<u>\$ (60,586)</u>

The following notes are an integral part of these financial statements.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

INTRODUCTION

1. The Town of St. Joseph, Louisiana was incorporated under provisions of the Lawrason Act as a Village in 1901.
2. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Aldermen consists of five elective members and they are paid \$125 per month.
4. The Town is located in the eastern central portion of Tensas Parish, Louisiana. Tensas Parish is located in Northeast Louisiana.
5. The population of St. Joseph, Louisiana is approximately 1,579 persons.
6. The Town of St. Joseph, Louisiana has ten full time employees and two part time employees.
7. The Town of St. Joseph, Louisiana has approximately 616 utility customers.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of St. Joseph, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town of St. Joseph, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of St. Joseph, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- 1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the municipality to impose its will on that organization and/or**
 - b) The potentials for the organization to provide specific financial benefit to or impose specific financial burdens on the municipality.****
- 2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.**
- 3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.**

As required by generally accepted accounting principles, these financial statements present the Town of St. Joseph, Louisiana (the primary government) and its component units. There are no component units included in the accompanying financial statements as either blended with the municipality funds or discretely presented.

C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. **General Fund**— the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Debt Service Funds**—account for transactions relating to resources retained and used for the payment of principal and interest on those long term obligations recorded in the general long term obligations account group.
3. **Capital Projects** – account for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. **Enterprise funds**—account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

General Fixed Assets and Long Term Debt

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to not capitalize public domain (“infrastructure”) fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines	40 years
Water lines and plant	30 to 40 years
Sewer lines	40 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated a historical cost.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered “measurable” when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. INVENTORIES

Inventories or material and supplies are valued at lower of cost or market.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS

Allowance for uncollectable accounts receivable at June 30, 2001 is \$62,500.

H. RESTRICTED ASSETS

Certain assets of the Town of St. Joseph, Louisiana have been restricted for customers' deposits and these assets total \$28,313.

I. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements – overview are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

K. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP – CONTINUED

	Balance July 1, 2000	Additions	Deletions	Balance July 30, 2001
Land	\$ 65,605	\$ -	\$ -	\$ 65,605
Buildings	410,552	-	-	410,552
Other improvements	158,074	-	-	158,074
Equipment	400,690	34,737	-	435,427
TOTAL	<u>\$ 1,034,921</u>	<u>\$ 34,737</u>	<u>\$ -</u>	<u>\$ 1,069,658</u>

NOTE 3 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 2001 follows:

Gas system	\$ 730,463
Water system	1,381,929
Sewer system	1,922,531
Vehicles and equipment	142,504
Office equipment	10,349
Land	7,886
Total	<u>4,195,662</u>
Less: accumulated depreciation	<u>1,944,739</u>
Net	<u>\$ 2,250,923</u>

NOTE 4 – AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

For the year ended June 30, 2001 taxes of 6.57 mills were levied on property with assessed valuations totaling \$3,711,261 and were dedicated to general corporate purposes.

Total taxes levied were \$24,606.

**TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 5 – PENSION PLAN

Substantially all employees of the Town of St. Joseph are members of the Municipal Employees Retirement System of Louisiana, a multiple employer, public employee retirement system controlled and administered by a separate board of trustees.

All full time employees are members of the system. Employer contributions were 3.75% of actual payroll during the year ended June 30, 2001 and employees' contributions were 5% of payroll. The employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of St. Joseph does not guarantee the pension benefits.

The town contributed \$8,131 during the year and employees contributed \$9,034.

NOTE 6 – CASH AND CASH EQUIVALENTS

Under state law, the city may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2001, the town had cash and cash equivalents according to the bank's balances totaling \$828,679 as follows:

Demand deposits	\$ 638,880
Time deposits	189,799
Total	<u>\$ 828,679</u>

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2001 are secured as follows:

Federal deposits insurance	\$ 300,000
Pledged securities	528,679
Total	<u>\$ 828,679</u>

NOTE 7 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town does not accrue unpaid vacation pay or sick pay in its financial statements. The Town's policy concerning compensation for unpaid vacation pay is that upon termination of an employee, vacation days not previously used by the employee are not reimbursed. The policy concerning sick pay is that each case is considered on a case by case basis.

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 8 – OTHER INVESTMENTS – ENTERPRISE FUND

The Town of St. Joseph, Louisiana owns jointly with the Town of Newellton, Louisiana, a gas pipeline, which transports natural gas to the Towns. The jointly owned line is operated independently of the Towns. The carrying value of the investment is recorded at the equity value of the investment. The annual net income is added to the investment and cash withdrawals and net losses are deducted from the investment value.

**TOWNS OF ST. JOSEPH AND NEWELLTON, LOUISIANA
Jointly Owned Gas Pipe Line
Balance Sheet
June 30, 2001**

ASSETS

Cash	\$ 132,302
Accounts receivable	<u>14,907</u>
Total assets	<u><u>147,209</u></u>

LIABILITIES AND TOWNS' EQUITY

Accounts payable	\$ <u>41,702</u>
 Towns equity	
Town of Newellton, Louisiana	52,753
Town of St. Joseph, Louisiana	<u>52,754</u>
Total towns' equity	<u><u>105,507</u></u>
Total liabilities and towns equity	<u><u>\$ 147,209</u></u>

Audited financial statements of this joint venture are available at the Town of St. Joseph, Louisiana's City Hall.

NOTE 9 – CHANGES IN LONG-TERM DEBT

The following is a summary of note transactions of the Town of St. Joseph for the year ended June 30, 2001:

Note payable at June 30, 2000	\$ 74,543
Principal retired	<u>(7,110)</u>
Note payable at June 30, 2001	<u><u>\$ 67,433</u></u>

**TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 9 – CHANGES IN LONG-TERM DEBT- CONTINUED

The note payable consisted of a note to a commercial bank for the payment of a loan on a medical office. The liability is a \$140,000 note at 8% payable in quarterly installments of \$3,259.

The annual requirements to amortize the debt outstanding as of June 30, 2001 is as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2002	\$ 7,593	\$ 5,441	\$ 13,034
June 30, 2003	8,245	4,789	13,034
June 30, 2004	8,905	4,129	13,034
June 30, 2005	9,617	3,417	13,034
June 30, 2006	10,386	2,648	13,034
Thereafter	22,687	3,340	26,027
Total	<u><u>\$ 67,433</u></u>	<u><u>\$ 23,764</u></u>	<u><u>\$ 91,197</u></u>

NOTE 10 – SUMMARY OF GRANT REVENUES

Funding from the following Federal and State grants were received during the year ended June 30, 2001:

<u>Funding Source and Program</u>	<u>CFDA NUMBER</u>	<u>REVENUE AMOUNT</u>
Federal:		
LCDBG Sewer System Improvements	14.218	<u><u>\$ 810,085</u></u>
State:		
Rural Development Grant		<u><u>\$ 49,298</u></u>

NOTE 11 – EXPENDITURES IN EXCESS OF THE BUDGET

Expenditures in the general fund were in excess of the budget by 19.5%. The following is a summary of those expenditures and the amount budgeted.

Expenditures	\$ 287,384
Budgeted	<u>240,510</u>
Excess over budget	<u><u>\$ 46,874</u></u>

SECTION II – SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments that are not required to be accounted for in another fund.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

BALANCE SHEET
YEAR ENDED JUNE 30, 2001

<u>ASSETS</u>	<u>2001</u>	(Memorandum Only) <u>2000</u>
Cash	\$ 148,334	\$ 196,903
Receivables - garbage fees	923	923
Total assets	149,257	197,826
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	6,583	5,106
Accrued payroll	-	3,291
Total liabilities	6,583	8,397
Fund balance-unreserved	142,674	189,429
Total liabilities and fund balance	\$ 149,257	\$ 197,826

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2001**

	<u>2001</u>		Variance - Favorable (Unfavorable)	(Memorandum Only) 2000 Actual
	Budget	Actual		
Revenues:				
Taxes				
Ad valorem	\$ 22,000	\$ 24,629	\$ 2,629	\$ 23,015
Sales taxes	80,000	71,448	(8,552)	78,892
Video poker	2,600	5,228	2,628	5,456
Franchise	23,000	31,957	8,957	28,415
Total taxes	<u>127,600</u>	<u>133,262</u>	<u>5,662</u>	<u>135,778</u>
Intergovernmental	15,200	53,883	38,683	19,655
Licenses and permits	45,100	45,817	717	46,022
Fines	1,200	3,049	1,849	615
Garbage fees	33,000	52,983	19,983	49,665
Miscellaneous	36,900	51,635	14,735	89,846
Total revenues	<u>259,000</u>	<u>340,629</u>	<u>81,629</u>	<u>341,581</u>
Expenditures:				
General government	73,700	138,163	(64,463)	191,774
Street and sanitation	102,610	78,709	23,901	67,947
Public safety -			-	
Police	63,700	67,602	(3,902)	70,506
Fire	500	2,910	(2,410)	12,054
Total expenditures	<u>240,510</u>	<u>287,384</u>	<u>(46,874)</u>	<u>342,281</u>
Excess of revenues over expenditures	18,490	53,245	34,755	(700)
Other financing sources:				
Operating transfers (out)	-	(100,000)	(100,000)	6,712
Excess of revenues and other sources over expenditures	18,490	(46,755)	(65,245)	6,012
Fund balance, beginning	<u>189,429</u>	<u>189,429</u>	-	<u>183,417</u>
Fund balance, ending	<u>\$ 207,919</u>	<u>\$ 142,674</u>	<u>\$ (65,245)</u>	<u>\$ 189,429</u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2001

	<u>2001</u>		Variance - Favorable (Unfavorable)	(Memorandum Only) 2000 Actual
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
General government				
Aldermen fees	\$ 7,500	\$ 7,500	\$ -	\$ 7,500
Community house	3,200	3,106	94	11,770
Insurance	30,100	34,303	(4,203)	31,478
Office expense	3,000	105	2,895	8,666
Payroll taxes and retirement	8,400	12,019	(3,619)	10,230
Miscellaneous	21,500	46,393	(24,893)	21,404
Capital outlay	-	34,737	(34,737)	100,726
Total general government	<u>73,700</u>	<u>138,163</u>	<u>(64,463)</u>	<u>191,774</u>
Streets and Sanitation				
Salaries	57,500	34,114	23,386	28,393
Supplies	3,050	3,007	43	4,670
Garbage fuel	3,000	1,327	1,673	2,078
Repairs	8,500	17,034	(8,534)	6,740
Utilities	19,000	21,445	(2,445)	19,411
Other	11,560	1,782	9,778	6,655
Total streets and sanitation	<u>102,610</u>	<u>78,709</u>	<u>23,901</u>	<u>67,947</u>
Public safety - police				
Salaries	50,000	47,586	2,414	45,664
Gas and oil	3,500	6,329	(2,829)	4,896
Repairs	4,000	2,546	1,454	8,038
Miscellaneous	6,200	11,141	(4,941)	11,908
Total public safety - police	<u>63,700</u>	<u>67,602</u>	<u>(3,902)</u>	<u>70,506</u>
Public safety - fire				
Salaries	500	-	500	484
Repairs	-	62	(62)	2,832
Truck expenses	-	102	(102)	585
Telephone	-	2,349	(2,349)	1,722
Utilities	-	397	(397)	2,349
Supplies	-	-	-	4,082
Total public safety - fire	<u>500</u>	<u>2,910</u>	<u>(2,410)</u>	<u>12,054</u>
Total expenditures	<u>\$ 240,510</u>	<u>\$ 287,384</u>	<u>\$ (46,874)</u>	<u>\$ 342,281</u>

The following notes are an integral part of these financial statements.

ENTERPRISE FUND

Utility Fund – To account for the provision of water, gas, sewer and sanitation services to residents of the Town and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, maintenance, financing and related debt service, and billings and collections.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE BALANCE SHEET
 JUNE 30, 2001 and 2000

	2001	(Memorandum Only) 2000	2001	(Memorandum Only) 2000
ASSETS				
Current assets:				
Cash	\$ 338,687	\$ 252,380		
Certificate of deposit	189,799	184,043		
Accounts receivable:				
Customers-net of allowance for uncollectables	34,943	32,620		
Others	<u>3,586</u>	<u>3,425</u>		
Total current assets	<u>567,015</u>	<u>472,468</u>		
Restricted assets:				
Consumer deposits-cash	<u>28,313</u>	<u>21,374</u>		
Plant & equipment at cost, net of accumulated depreciation (2001 - \$1,944,739, 2000 - \$1,853,942)	<u>2,250,923</u>	<u>1,509,822</u>		
Other assets:				
Investment in gas pipe line jointly with Town of Newellton, Louisiana recorded at equity value	<u>52,754</u>	<u>48,477</u>		
Total assets	<u>\$ 2,899,005</u>	<u>\$ 2,052,141</u>		
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities				
Accounts payable	\$ 18,645	\$ 10,228		
Accrued payroll	-	4,044		
Total current liabilities (payable from current assets)	<u>18,645</u>	<u>14,272</u>		
Current liabilities (payable from restricted assets)				
Customer deposits	<u>53,863</u>	<u>51,399</u>		
Total liabilities	<u>72,508</u>	<u>65,671</u>		
Fund equity:				
Contributed capital	3,374,883	2,565,985		
Retained earnings - Unreserved (deficit)	<u>(548,386)</u>	<u>(579,515)</u>		
Total fund equity	<u>2,826,497</u>	<u>1,986,470</u>		
Total liabilities and fund equity	<u>\$ 2,899,005</u>	<u>\$ 2,052,141</u>		

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Operating revenues:		
Charges for services:		
Gas sales	\$ 487,070	\$ 200,120
Water sales	169,361	111,523
Sewer sales	19,062	19,060
Delinquent charges	54,405	50,102
Miscellaneous revenues	3,710	7,124
Total operating revenues	<u>733,608</u>	<u>387,929</u>
Operating expenses:		
Gas department expenses	472,423	213,344
Water department expenses	105,572	103,150
Sewer department expenses	7,478	6,866
General and administrative expenses	242,547	205,512
Total operating expenses	<u>828,020</u>	<u>528,872</u>
Operating (loss)	<u>(94,412)</u>	<u>(140,943)</u>
Nonoperating revenues:		
State grant	-	25,000
Income from jointly owned gas line	4,277	9,074
Interest earned	21,263	18,360
Total nonoperating revenue	<u>25,540</u>	<u>52,434</u>
(Loss) before operating transfers	(68,872)	(88,509)
Operating transfers:		
Transfers from general fund	<u>100,000</u>	<u>(6,712)</u>
Net (loss)	31,128	(95,221)
Retained earnings, beginning (deficit)	<u>(579,514)</u>	<u>(484,293)</u>
Retained earnings, ending (deficit)	<u>\$ (548,386)</u>	<u>\$ (579,514)</u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Gas department expenses:		
Salaries and wages	\$ 70,990	\$ 73,285
Materials and supplies	317	290
Utilities	4,255	3,752
Insurance	1,364	1,379
Repairs	10,597	7,791
Gas purchased	319,629	122,715
Truck gas and oil	4,517	2,411
Bad debts	60,000	1,131
Employee drug testing	754	590
Total gas departments	<u>472,423</u>	<u>213,344</u>
Water department expenses:		
Salaries and wages	26,544	31,609
Materials and supplies	40,962	42,665
Repairs	16,921	11,388
Utilities	20,479	15,510
Telephone	584	465
Insurance	82	1,513
Total water department expenses	<u>105,572</u>	<u>103,150</u>
Sewer department expenses:		
Materials and supplies	1,790	1,977
Utilities	3,846	2,059
Repairs	692	1,920
Laboratory tests	1,150	910
Total sewer department expenses	<u>7,478</u>	<u>6,866</u>
General and administrative expenses:		
Group insurance	15,579	16,466
Retirement	3,701	4,424
Telephone	2,375	2,128
Insurance	17,776	16,067
Computer services	2,181	1,063
Meter readings	6,000	5,500
Advertising	4,616	2,020
Office expense	5,129	5,651
Dues	973	428
Auditing and legal	6,646	8,873
Travel	6,728	5,227
Payroll taxes	6,877	6,930
Depreciation	90,797	93,014
Garbage collection	10,803	11,000
Other expenses	62,366	26,721
Total general and administrative expenses	<u>242,547</u>	<u>205,512</u>

The following notes are an integral part of these financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2001

Jack Grace, Jr.	\$ 1,500
Craig Neurath	1,500
Jimmy Clark	1,500
Thelma Bradford	1,500
Buddy Tindell	<u>1,500</u>
Total	<u><u>\$ 7,500</u></u>

SECTION III – COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Ed Brown, Mayor
and Members of the Board of Aldermen
Town of St. Joseph, Louisiana

We have audited the general purpose financial statements of Town of St. Joseph, Louisiana as of and for the year ended June 30, 2001, and have issued our report thereon dated September 26, 2001. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of St. Joseph, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2001-2, 2001-3 and 2001-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of St. Joseph, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that

**Honorable Ed Brown, Mayor
and Members of the Board of Aldermen
Page Two**

we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Town of St. Joseph, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

**Ferriday, Louisiana
September 26, 2001**

Switzer, Hopkins & Margo

**SECTION IV – SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA 71366**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2001**

Summary of Audit Results

1. **The auditor's report expresses an unqualified opinion on the General Purpose Financial Statements.**
2. **One reportable condition was disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.**
3. **Two instances of noncompliance certain laws and regulations of the Town of St. Joseph, Louisiana were disclosed during the audit.**

Findings -- Financial Statement Audit

Reportable Conditions

2001-1 Segregation of Duties

We noted that the Town of St. Joseph does not have adequate segregation of duties in the accounting department. One person is responsible for posting the accounts receivable billings, accounts receivable collections, preparing the cash receipts journal, compiling the cash disbursements journal, preparing the general ledger, reconciling the bank accounts and writing checks. In order to increase internal control, these functions should be separated.

We recommend that the Town attempt to separate the accounting duties in order to strengthen internal controls:

The Town of St. Joseph's response is attached.

2001-2 Enterprise Fund Utility Cut-off Policy

We noted that since January 1, 2001 the Town has abandoned the cut off policy for utility customers delinquent on their payments for water, gas, sewer and garbage pick-up. We have identified at least 95 out of a total of 616 customers who should have had their utilities terminated and their deposits applied toward the amounts due. The problem has resulted in an increase in the reserve for bad debts of \$60,000 for this year.

Schedule of Findings and Questioned Costs
Page Two

This is a violation of Article VII, Section 14 of the Louisiana constitution which states that public funds cannot be expended for private purposes. In this case the public funds are being expended to provide utility services for private citizens at no cost.

We recommend that the Town begin terminating all utility services according to the Town's cut off policy and apply the customers utility deposits to its accounts receivable.

The Town of St. Joseph's response is attached.

2001-3 Bid Law Violation

The Town of St. Joseph purchased a backhoe in October 2000 costing \$23,000. Public bids were not obtained for this purchase. This purchase was a violation of the Louisiana Public bid Law that requires the Town to bid any equipment purchased greater than \$15,000.

We recommend the Town comply with the Public Bid Law in the future.

The Town of St. Joseph's response is attached.

2001-4 Violation of Budget Act

The Town of St. Joseph violated the Local Government Budget Act in regard to the general fund. Expenditures totaled \$287,384, which is 19.5% greater than the budgeted amount of \$240,510. Louisiana law requires expenditures to be no more than 5% greater than the budgeted amount.

We recommend that the Town of St Joseph monitor its expenditures in the future so that they are no more than 5% greater than the amount budgeted.

The Town of St. Joseph's response is attached.

**TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA 71366**

**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

INTERNAL CONTROL FINDINGS

2000-1 Segregation of Duties

(For fiscal year ending June 30, 2000)

Condition: There is an insufficient segregation of duties to have an effective internal control.

Current status: This finding still applies and is noted in the current audit for the year ending June 30, 2001. (See current finding noted as 2001-1).

SECTION V – RESPONSE

MAYOR
Edward L. Brown, Sr.

COUNCIL MEMBERS
Jack Grace, Jr. - Mayor Pro Tem
Thelma Bradford
Jimmy Clark
Craig Neuroth
A. E. "Buddy" Tindell

TOWN OF SAINT JOSEPH

Post Office Box 217
Saint Joseph, Louisiana 71366
Phone 318-766-3713
Fax 318-766-3063

MUNICIPAL CLERK
Lyndie C. Fenitt

CHIEF OF POLICE
Ernest Spillman

TOWN ATTORNEY
Philip Watson, Jr.

October 12, 2001

Mr. Myles Hopkins
Switzer, Hopkins & Mange
P. O. Box 478
Ferriday, LA 71334

Dear Mr. Hopkins:

Regarding your June 30, 2001 Schedule of Findings and Questioned Costs dealing with segregation of duties, utility cut-off policy, and bid law and budget act violations, we have summarized below our efforts to strengthen internal controls and ensure compliance with established policy and legal requirements.

I. Segregation of Duties

Our computer accounting software and financial accounting procedures should be completely functional by the end of this year, which will allow us to segregate duties as follows:

- a. The employee responsible for reading utility meters will download readings from the computerized handheld keypad directly into the billing system. Only the Mayor will have security access to change the readings and consequently, billings to customers. More over, the Mayor or Municipal Clerk will review exception reports for covering meter readings.
- b. Part-time clerical employees will collect payments from customers. The Municipal Clerk will review cash receipts journals showing collection activities by these employees but may not collect payments.
- c. The cash receipts journal will update automatically as clerical employees enter payments from customers into the computer. Again, the Municipal Clerk will review and approve the cash receipts journal generated by the accounts receivable system.
- d. The Municipal Clerk will code cash disbursements into the computerized accounts payable system. Only the Mayor will have online authorization to approve check payments to vendors and consequently, control the cash disbursement journal through this review and approval procedure.
- e. All bank account statements will go directly to the Mayor who will promptly reconcile each bank account. The Mayor will also approve general ledger journal entries prepared by the Municipal Clerk.

October 12, 2001

II. Enterprise Fund Utility Cut-off Policy

We will comply with Article VII, Section 14 of the Louisiana constitution by terminating all utility services in accordance with Town policy. Further, the Mayor and Aldermen will establish procedures to ensure a determined effort is made to collect past due amounts from customers.

Further, we recognize the conservative approach of increasing our reserve for bad debts to \$60,000 and also note that over one half of this amount is associated to the late charge penalty and not un-recovered utility costs. In addition, our analysis show extreme high gas prices this past winter and an erroneous penalty rate charged customers may well be the reason for this adverse financial position.

III. 2001-3 Bid Law Violation

Since January 1, 2001, we have complied with Louisiana public bid law and will continue to do so in the future.

IV. Violation of Budget Act

Since January 1, 2001, we have complied with the Louisiana local government budget act by ensuring expenditures remain within the required budgeted levels. Our new accounting software will provide adequate information to allow monitoring of actual versus budget expenditures, which we will use to ensure compliance in the future.

Please let us know if you have any questions or need additional information.

Sincerely,


Edward L. Brown
Mayor

E.L.B

cc: Board of Aldermen

SECTION VI – SINGLE AUDIT ACT REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Ed Brown, Mayor
and Members of the Board of Alderman
Town of St. Joseph, Louisiana

Compliance

We have audited the compliance of the Town of St. Joseph, Louisiana with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Town of St. Joseph, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of St. Joseph Louisiana management. Our responsibility is to express an opinion of the Town of St. Joseph, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform that audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of St. Joseph, Louisiana's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of St. Joseph, Louisiana's compliance with those requirements.

In our opinion, the Town of St. Joseph, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Honorable Ed Brown
and Members of the Board of Aldermen
Page Two

Internal Control Over Compliance

The management of the Town of St. Joseph, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of St. Joseph, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider being material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Town of St. Joseph, Louisiana as of and for the year ended June 30, 2001, and have issued our report thereon dated September 26, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management, federal awarding agencies and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana
September 26, 2001

Switzer, Hopkins & Mange

**TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures/ Loans
HUD-LCDBG Public Facilities Program - Sewer	14.218	\$ <u>808,898</u>

TOWN OF ST. JOSEPH, LOUISIANA
Schedule of Findings and Question Costs -- Single Audit
FOR THE YEAR ENDED JUNE 30, 2001

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be Material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be material weaknesses? Yes No

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.218	HUD-LCDBG Public Facilities Program - Sewer

Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**

Auditee qualified as low-risk auditee? Yes No

TOWN OF ST. JOSEPH, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 2001

SECTION II – Federal Award Findings and Questioned Costs

Major Program No. 1

▪ Information on the federal program	HUD – LCDBG Public Facilities Program - Sewer
▪ Criteria or specific requirement	Circular A-133
▪ Condition	N/A
▪ Questioned costs	N/A
▪ Context	N/A
▪ Effect	N/A
▪ Cause	N/A
▪ Recommendation	N/A
▪ Management's response	N/A